

# State of South Dakota

SEVENTY-SEVENTH SESSION  
LEGISLATIVE ASSEMBLY, 2002

400H0209

## SENATE BILL NO. 30

Introduced by: The Committee on Commerce at the request of the Department of Commerce  
and Regulation

1 FOR AN ACT ENTITLED, An Act to limit the ability of the director of the division of securities  
2 to review securities registration based on merit review.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. That subsection (g) of § 47-31A-305 be repealed.

5 ~~—(g) The director may, by rule or order, require as a condition of registration by qualification~~  
6 ~~or coordination:~~

7 ~~—(1) That any security issued within the past three years or to be issued to a promoter for~~  
8 ~~a consideration substantially different from the public offering price, or to any person~~  
9 ~~for a consideration other than cash, be deposited in escrow; and~~

10 ~~—(2) That the proceeds from the sale of the registered security in this state be impounded~~  
11 ~~until the issuer receives a specified amount from the sale of security either in this state~~  
12 ~~or elsewhere.~~

13 ~~—The director may, by rule or order, determine the conditions of any escrow order required~~  
14 ~~hereunder, but he may not reject a depository solely because of location in another state. The~~  
15 ~~director may, by rule or order, require as a condition of registration that any security issued~~



1 ~~within the past three years or to be issued to a provider for a consideration substantially different~~  
2 ~~from the public offering price, or to any person for a consideration other than cash, be deposited~~  
3 ~~in escrow, or that the proceeds from the sale of the registered security in this state be impounded~~  
4 ~~until the issuer receives a specified amount from the sale of the security either in this state or~~  
5 ~~elsewhere; or he may impose both requirements. The director may, by rule or order, determine~~  
6 ~~the conditions of any escrow or impounding required hereunder. If it is determined that a security~~  
7 ~~has been escrowed by the director for three consecutive years after voluntary dissolution,~~  
8 ~~revocation of the corporate charter, or the issuer fails to meet the terms of the escrow, the~~  
9 ~~director may destroy the stock; however, the director shall maintain a permanent record of all~~  
10 ~~stock destroyed. The record shall include:~~

- 11 ~~— (1) — Name of issuer;~~  
12 ~~— (2) — Stock certificate number;~~  
13 ~~— (3) — Number of shares represented by the certificate;~~  
14 ~~— (4) — Name of owner of the stock certificate; and~~  
15 ~~— (5) — CUSIP number if applicable.~~

16 Section 2. That subsection (E) of § 47-31A-306(a) be repealed.

17 ~~— (E) — The offering is being made on terms that are unfair, unjust and inequitable;~~

18 Section 3. That subsection (F) of § 47-31A-306(a) be repealed.

19 ~~— (F) — The offering has been or would be made with unreasonable amounts of~~  
20 ~~underwriters' and sellers' discounts, commissions or other compensation, or~~  
21 ~~promoters' profits or participation, or unreasonable amounts or kinds of~~  
22 ~~options;~~